

27 March 1964

OCI No. 0324/64
Copy No. 74

WEEKLY SUMMARY

State Dept. review completed.

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

25X1

RETURN TO RECORDS CENTER
IMMEDIATELY AFTER USE
JOB 29-T927 BOX 44

SECRET

GROUP 1 Excluded from automatic
downgrading and declassification

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Page Denied

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

SECRET

C O N T E N T S

(Information as of 1200 EST, 26 March 1964)

<u>THE COMMUNIST WORLD</u>	<u>Page</u>
<div></div>	
SOVIET FARM MANAGERS TO BE GIVEN GREATER AUTHORITY This attempt by the USSR to solve its agricultural problems through organizational manipulations is likely to be as futile as a similar scheme promulgated in 1955.	3
AGRICULTURAL PROSPECTS IN THE COMMUNIST WORLD Conditions as of mid-March offered the prospect of better winter grain crops in the USSR, the European satellites, and China than the mediocre to poor harvests of 1963.	4
<div></div>	
YUGOSLAV PARTY PREPARES FOR EIGHTH CONGRESS A central committee plenum held on 16 March to prepare for the November congress appears to have concentrated on current economic problems, but also heard proposals for more democratic practices in the party organization.	5
WESTERN AIRCRAFT IN CHINESE COMMUNIST CIVIL AIR OPERATIONS Peiping is about to put into operation six Viscounts bought from Britain. More purchases of Western transports are likely as China moves to improve domestic service and open the mainland to Western airlines.	6
<u>ASIA-AFRICA</u>	
CHIANG CHING-KUO RISES IN TAIWAN'S POWER HIERARCHY His appointment as deputy defense minister puts him in an even stronger position than before to succeed his father eventually.	7

SECRET

27 Mar 64

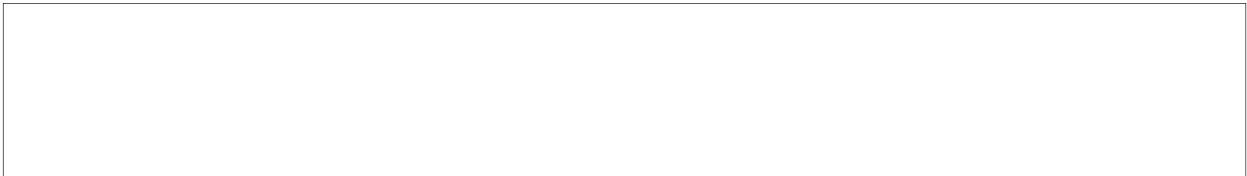
CURRENT INTELLIGENCE WEEKLY SUMMARY

Page i

SECRET

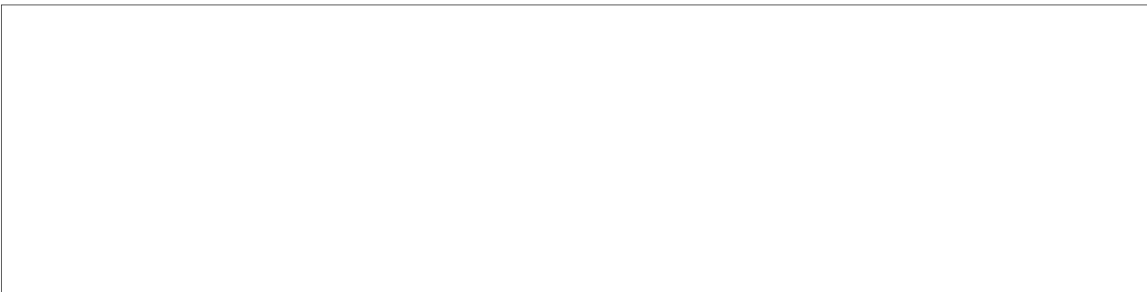
ASIA-AFRICA (continued)

Page



25X1

VIET CONG MORE ACTIVE IN SOUTH VIETNAM 9
Communist military pressure is increasing, with particular emphasis on a province south of Saigon. Meanwhile, the Khanh government is encouraging development of counterinsurgency plans at the local level.



25X1

AREA NOTES 10
On Cambodia and Iran

THE SITUATION ON CYPRUS 11
As the UN force becomes operational, new conflicts are arising among Greek Cypriots, partly over renewed demands for union with Greece.

AREA NOTE 12
On Congo

KING REASSERTS DOMINANT ROLE IN LIBYA 13
By threatening to abdicate, he impressed the politicians with their need for his stabilizing influence in the face of mushrooming nationalist sentiment.

COMMUNISTS EXTEND CONTROL IN ZANZIBAR 14
African nationalists are being neutralized, moderate pro-Western influences eliminated, and the islands tied economically and militarily to the Communist bloc.

EUROPE



25X1

SECRET

27 Mar 64

CURRENT INTELLIGENCE WEEKLY SUMMARY

Page ii

SECRET

EUROPE (continued)

Page

25X1

- THE EEC AND ITALY'S ECONOMIC PROBLEMS 15
EEC circles were disturbed last week over Italy's by-passing Common Market machinery to arrange a billion-dollar credit package to prop up the lira and ward off a balance-of-payments crisis. Some of the criticism is directed at the US, the major contributor to the deal.
- INTERNAL DISSENSION CONTINUES TO DELAY MALTA INDEPENDENCE 16
Opposing Maltese political leaders are at an impasse on the question of constitutionally limiting the influence of the Catholic Church. London now admits independence may be put off several months after the 31 May target.

WESTERN HEMISPHERE

- LATIN AMERICAN REACTION TO DE GAULLE'S MEXICAN VISIT 17
The visit was well received and viewed by many Latin Americans as a harbinger of increased French economic aid. Public opinion in the hemisphere does not accept the Cuban-Communist prediction of a now-diminished US influence.
- BRAZILIAN PRESIDENT'S BATTLE WITH CONGRESS CONTINUES 18
Goulart is not letting up in his campaign to pressure Congress into passing his reform program, and the opposition, although mounting, remains divided.
- IMPORTANCE OF RADICAL VOTE IN CHILE'S PRESIDENTIAL ELECTION 19
Communist-Socialist candidate Allende's chances of victory now hinge on whether the defunct center-right coalition's largest component, the Radical Party, swings to him or to Christian Democrat Frei, the only remaining contender with a chance of defeating Allende.

25X1

AREA NOTES

On Panama and British Guiana

22

SECRET

27 Mar 64

CURRENT INTELLIGENCE WEEKLY SUMMARY

Page iii

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Page Denied

Next 1 Page(s) In Document Denied

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

SECRET

The Communist World

SOVIET FARM MANAGERS TO BE GIVEN GREATER AUTHORITY

The USSR is trying again to solve its agricultural problems through organizational manipulations. Moscow has decided to relax control over some aspects of farm planning and to give farm managers greater authority at the expense of the local bureaucracy in the day-to-day administration of the farms.

A party-governmental decision issued on 20 March--and anticipated in Khrushchev's speech of 28 February--stipulates that the farm managers will decide on when and where to sow their crops, how many cattle to keep, and how to carry out farm work. Plans for procurement (sales of crops to the state)--as well as production--are to be worked out at each farm, with the key stipulation that the plans conform to the over-all targets set by Moscow.

A real decentralization would be beneficial for agriculture in general, and important in implementing the fertilizer program, which can succeed only if adapted to local conditions.

In practice, however, little farm autonomy is likely. Essentially the same rules were promulgated in 1955, but Moscow's over-all goals continued to act as an automatic brake on local initiative. Local party officials informally filled the vacuum left by the formal relaxation of administrative authority, and freely interfered in the most petty matters, pushing national campaigns, however ill-suited to the local area.

Although the farms have not enjoyed any major degree of freedom

from interference since 1955, the present decision appears to be mainly a reaction against the March 1962 reform which set up party-state territorial production directorates to oversee farm operations. At that time Khrushchev said that these directorates were necessary because there was "no organ that can manage agriculture properly... and delve deeply into the needs... of the farms." This mandate--as well as the unfolding production difficulties--apparently encouraged the new officials to interfere in farm work at every turn. One party chief recently told of a production administration which sent a barrage of telegrams to the farms on the subject of plucking hair out of horses' tails to meet the plan for scrap hair.

As long as the sum of the "locally determined" plans must be equivalent to Moscow's goals, and as long as management at all levels is judged primarily on successful fulfillment of these plans, little actual change is likely regardless of the formal changes decreed. For example, a similar attempt last year to "decentralize" industrial planning for 1964-65 resulted in such "timid" local plans that midway in the process Moscow officials were dispatched to "uncover hidden reserves." In addition, as long as Khrushchev, despite lip service to the contrary, continues to give farmers a multitude of directions and advice on the most detailed aspects of farm operations, his attitudes will be mirrored in the activities of lesser officials.

25X1

SECRET

SECRET

The Communist World

AGRICULTURAL PROSPECTS IN THE COMMUNIST WORLD

Weather conditions as of mid-March were generally more favorable for grain crops than in the previous year for the USSR, the European satellites, and China. Higher soil moisture in the more important growing areas of these countries raises prospects for winter grain crops above the mediocre-to-poor harvests of 1963.

In the USSR, soil moisture conditions are good to excellent in almost all the important agricultural areas. A record 111 million acres were seeded to winter grains last fall, and some irrigated land apparently is to be shifted from cotton to grain this spring.

The livestock picture, however, is less favorable. Underfulfillment of current procurement plans for milk and eggs and overfulfillment of the meat plan reflect the very tight feed situation. Livestock losses continue, perhaps including breeding stock, and future supplies of meat will suffer because of the need to rebuild herds.

In the European satellites, condition of the winter grains as of mid-March was generally better than a year ago, except that drought in Rumania and Bulgaria has retarded development of the wheat crop. Acreage planted to winter wheat was reportedly larger than in 1963. Despite improved prospects for the northern satellites, total grain import requirements are expected to remain relatively

high in 1964. Decreased dependence on Soviet grain is illustrated by the three-year agreements signed by East Germany, Bulgaria, Czechoslovakia, and Poland to import French and Canadian wheat.

Prospects continue favorable in Communist China's winter and summer crop areas as a result of generally above-normal precipitation during the winter months. However, if the heavy rains continue in March and April, planting could be delayed and yields reduced in parts of Central and East China.

North Korean weather conditions are favorable for the major spring-sown crops, due to be planted in late April and early May. In North Vietnam, prospects for the early rice crop--harvested in May--appear mediocre because of cold weather and mismanagement; however, moisture conditions have been much more favorable this year than last. Mongolian agriculture, which depends mainly on large herds of livestock, is recovering from a severe winter in which some 500,000 animals were lost in blizzards and heavy snowstorms.

Cuba's heavy stress on the sugar harvest is unlikely to change 1964 output significantly from last year's 3.8 million tons. The high priority accorded sugar, however, appears to be cutting down the output of rice, a staple in the Cuban diet.

25X1

SECRET

SECRET

The Communist World

YUGOSLAV PARTY PREPARES FOR EIGHTH CONGRESS

The central committee of the Yugoslav League of Communists met on 16 March to prepare for the party's eighth congress, which it decided will be held in November in Belgrade. Tito's concluding remarks to the plenum, however, suggest that current economic problems became the focal point of its discussions. Since the first of the year, rising prices and lagging wages have sparked growing dissatisfaction among industrial workers.

During its deliberations, the plenum was apparently diverted from considering the more basic causes of economic difficulties and became engaged in a debate on investment policies, the standard of living, and the distribution of national income. Tito personally advocated relief for the populace, particularly the lowest income group. He declined to press for any crash program, but instructed the party's executive committee to hold "several sessions" on these questions and to circulate its views to the membership prior to the congress.

The documents prepared for the central committee plenum were circulated in advance so that the meeting could launch directly into the debate. This is a new practice in the Tito regime designed to increase the knowledgeability of its members, now considered a prerequisite for greater party democracy.

Part of the main report to the plenum was in fact devoted to the desire of the party's moderate leadership to introduce even more democratic practices into the organization, thus continuing a campaign the moderates and liberals have been waging to dislodge the party's more conservative element from positions of authority. To this end, a commission was elected to recommend to the coming congress amendments and additions to the party's statutes. Among the suggestions made in documents prepared for the plenum were: preventing individuals from accumulating functions, rotating party officials periodically, publicizing the party's work at all levels, and encouraging genuine differences of opinion within the party.

The report to the plenum also recommended that the party adhere to the dogma, first enunciated in 1952, that the organization is the guiding, not controlling, force in society. This section of the report, also aimed at the conservatives, explained that interference by authoritarian party leaders in the work of other bodies, such as workers' councils, disrupts the proper functioning of the country's decentralized economic system. Prior to the plenum, some regime leaders had blamed this interference for a number of recent wildcat strikes.

25X1

SECRET

SECRET

The Communist World

WESTERN AIRCRAFT IN CHINESE COMMUNIST CIVIL AIR OPERATIONS

The last of six British Viscount airliners ordered by Peiping in late 1961 has been delivered. More purchases of Western transports are likely as China moves to improve domestic service and open the mainland to Western airlines.

Viscounts will begin operations on several important long-distance domestic routes this month, according to Chinese press reports. Service on these routes will connect Peiping and the international gateways of Kunming, Canton, and Shanghai, reducing present average flying time by about 50 percent.

Peiping's international air operations may also expand, requiring additional Western aircraft. For the moment the Chinese appear content to permit Western lines to pioneer routes into China which Peiping can later use as its own equipment improves. Presumably with this in mind, the Chinese continue to explore Western markets for jet transports,

such as the British Comet and the French Caravelle, that may be used on international flights.

This spring, Pakistani and Cambodian airlines are scheduled to begin service to China, the first non-Communist lines to fly regular runs to the mainland. Pakistan plans to begin flying a weekly service to Shanghai and Canton in a few weeks and hopes eventually to extend its route to Japan. Cambodia also expects to start service to Canton next month. However, air agreements concluded with Burma in 1955 and Ceylon in 1959 have thus far resulted in only a twice-weekly service to Rangoon flown by CAAC, the Chinese airline.

Other Western airlines are seeking to extend their service to China. British BOAC and Indonesia's Garuda airlines have discussed reciprocal flying rights with the Chinese. Air France is considering flights to Peiping via Rangoon, presumably in hopes of a future route onward to Japan. A recently proposed Sino-Japanese air link, however, which could have opened potentially profitable trans-China routes, has for the present been rejected by Japan on political grounds.

SECRET

SECRET

Asia-Africa

CHIANG CHING-KUO RISES IN TAIWAN'S POWER HIERARCHY

President Chiang Kai-shek on 12 March placed his son, Chiang Ching-kuo, in a position more nearly in line with his already great influence in Nationalist China's affairs by naming him deputy minister of national defense. This appointment, an important step forward in Ching-kuo's career, is apparently designed to groom him as his father's successor. He received unprecedented publicity for his visit to the US last September and has been playing an increasingly prominent ceremonial role during the past few months.

During the same period, the only other official of comparable rank, Chen Cheng, has lost stature. Although, as vice president, Chen remains Chiang's constitutional successor, he resigned from the premiership in December. His chances for a political recovery seem dim, and he may eventually be eliminated from the line of succession.

**CHIANG CHING-KUO**

Ching-kuo will in effect control the Defense Ministry, and the nominal minister has indicated a desire to retire. Ching-kuo will directly influence promotions and appointments, and senior officers who previously had direct access to the President now may have to use Ching-kuo as an intermediary. His prestige on Taiwan will be enhanced by the wider contact with American officials he will have now. As he already controls the security forces and dominates the Nationalist Party's central committee, he is in a favorable position to assume political dominance when Chiang Kai-shek dies, regardless of the formal succession.

The appointment may reflect Chiang Kai-shek's concern that Taipei's deteriorating international position is depressing military morale. He has previously assigned trouble-shooting tasks to his 53-year-old son.

25X1

Chiang may have reasoned that this appointment was necessary to buttress lagging military morale and to guard against a military coup.

The Taiwanese have long distrusted Ching-kuo because of his intelligence and security roles and will regard his appointment as a further assertion of mainlander supremacy. Although Taiwanese antipathy toward the government may be increased, open manifestations of opposition are unlikely.

25X1

SECRET

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Page Denied

Next 1 Page(s) In Document Denied



SECRET

Asia-Africa

VIET CONG MORE ACTIVE IN SOUTH VIETNAM

Communist activity in South Vietnam, gradually increasing during recent weeks, has risen substantially in the past ten days. The focal point of the Viet Cong effort continues to be the Mekong delta, particularly Kien Hoa Province, where there has been a sharp rise in armed attacks including a battalion-size ambush on 18 March and another on the 23rd. The Viet Cong appear to be making a determined effort to obtain complete control over Kien Hoa, which is made up of a group of islands at the mouth of the Mekong.

Terrorism and sabotage continue to comprise the bulk of the Viet Cong activity. The Communists are emphasizing harassment of communications lines and routes, including the main north-south railroad. In the northern provinces, they are continuing to exert pressure in the heavily populated coastal plains. Although they have the capability to isolate some areas in the north and to interdict communications and supply routes at various points, their current objective appears to be to draw attention to the government's inability to maintain control.

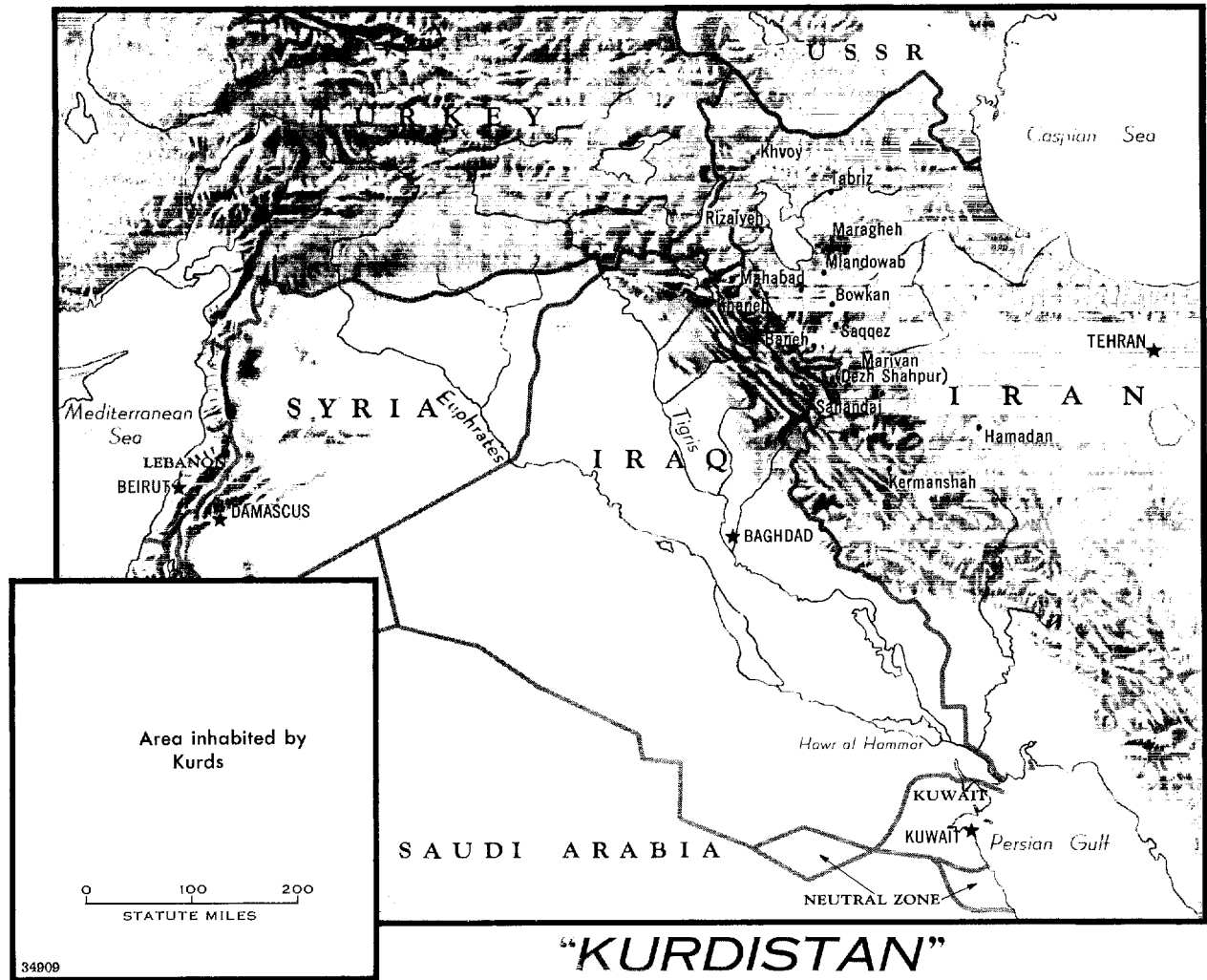
Recent government operations have produced some favorable results. Effective deployment of army, air, and naval units and greater use of armored vehicles and artillery may be partially responsible.

General Khanh continues to formulate plans to intensify the war effort. The military corps echelon has been made the focal point for planning and implementation of the new "Victory" plan, and requirements to formulate local pacification plans have been levied on each corps and province.

A "New Rural Life Directorate" has been established to take over the former strategic hamlet program. A plan to place a representative of the directorate at each military corps and division headquarters should substantially improve coordination between military and civilian agencies concerned with pacification. The directorate has dispatched teams to travel about in each province to explain the rehabilitation policy. This is the first significant effort by the Khanh government to bring national policy to the attention of the local administrative level.

25X1

SECRET



SECRET

Asia-Africa

AREA NOTES

Cambodia: Prince Sihanouk is exploiting South Vietnam's attack on the Cambodian border village of Chantrea (see map facing preceding page) and other recent border incidents to underscore the urgent need for international guarantees of Cambodia's neutrality and borders. He argues that the incidents "prove" that Cambodia is threatened by US and South Vietnamese aggression. As part of this effort, he is pushing for a UN Security Council airing of the Chantrea incident.

Sihanouk evidently has not yet abandoned hope that he can get a full-blown Geneva-type conference. He has addressed pleas to Khrushchev and

De Gaulle for their intervention on behalf of such a meeting and has renewed threats to go to Peiping and later Hanoi unless the West agrees by 9 April to attend a conference. He says that recent developments rule out a more limited quadripartite conference with the US, South Vietnam, and Thailand.

Nevertheless, the surprisingly nonhostile terms under which bilateral border talks with South Vietnam were postponed on 23 March suggest Sihanouk wants to keep channels open to Saigon. He now says that he will conclude a border agreement with South Vietnam as soon as a date is set for a Geneva conference.

25X1

Iran: The Iranian Government has recently arrested some 120 Kurdish leaders in an attempt to stem growing unrest in Iranian Kurdistan. Kurdish nationalist propaganda activities reportedly had been increasing, and Tehran believed that Communists were penetrating the Democratic Party of Kurdistan, the area's principal political organization. Many of the 750,000 Kurds in northwestern Iran appear to be impressed with the benefits their brethren in Iraq gained from their three-year revolt, and unimpressed with the benefits obtained from the

Shah's land reform program or with other plans to improve economic conditions.

As in the past, the Shah appears to be relying primarily on a heavy military concentration to dampen Kurdish nationalist activities. He ordered the latest arrests against the counsel of his principal security and military advisers, who considered the action both unnecessary and likely to harden Kurdish resistance. In fact, the initial Kurdish reaction has been a combination of confusion, fear, and anger.

25X1

SECRET

SECRET

Asia-Africa

THE SITUATION ON CYPRUS

Cyprus has remained generally calm during the past week as the UN moved ahead in implementing the Security Council resolution of 5 March.

Meanwhile, new conflicts are arising within the Greek Cypriot leadership. Minister of Interior Georkatzis appears to be trying to undermine the power and influence of President Makarios. Georkatzis currently is supporting the suddenly revived demand among Greek Cypriots for "enosis"--union of Cyprus with Greece. Makarios has paid lip service to enosis but probably opposes ending the island's independence inasmuch as this would inevitably lessen his own political power. As the movement for enosis has strong anti-Communist overtones, Makarios may soon be forced to rely more heavily on the powerful local Communist party or, alternately, attempt to assume leadership of the enosis movement himself.

25X1

Turkish Cypriot leaders are described as despondent and fearful for their safety should they leave their quarter of Nicosia and try to reassume their positions in the Cypriot Government. The Turkish Cypriots have not participated in the government since the outbreak of violence in December. Both Turkish Cypriots and the Turk-

ish Government want a federation of cantons, with Turks grouped in about six of them. The Turkish Cypriot minister of agriculture, now in Ankara, has asked the Inonu government for assurances that the Turkish Cypriots will not be "let down" in any final agreement reached on the Cyprus problem. Otherwise, he claims they want Ankara's assistance for mass migration to Turkey.

25X1

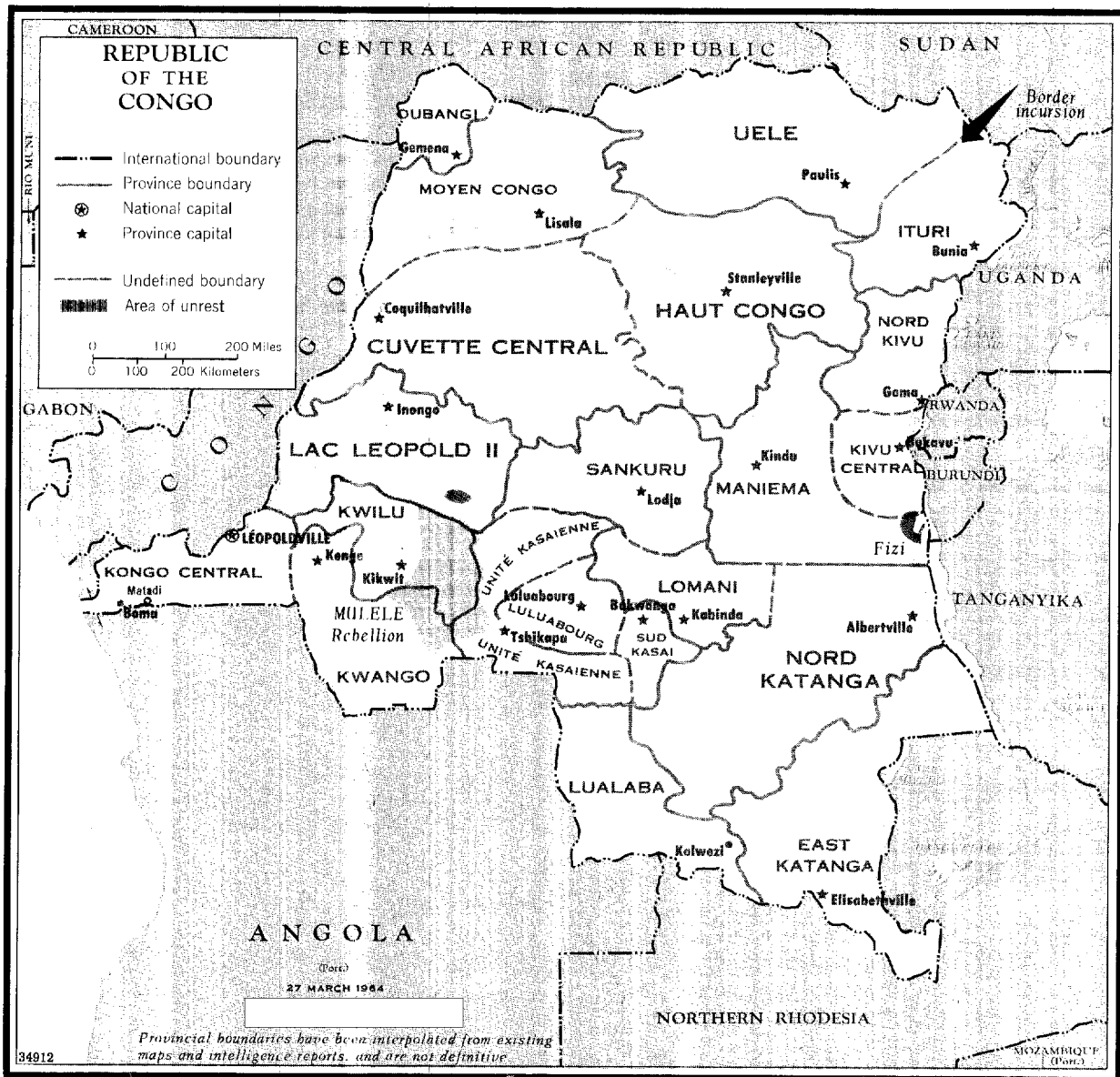
such a movement may be the only solution for Cyprus but

25X1

it will have serious long-term effects on Greek-Turkish relations. The presence of some 12,500 Greek nationals in Istanbul gives Turkey an opportunity to exert pressure on Athens in future negotiations. Turkey has already decided to terminate the Greek-Turkish Treaty of 1930, which granted certain special privileges to this minority, and has expelled several Greeks from the city for alleged "illegal activities. These moves indicate that the Inonu government intends to exploit Greek vulnerability in this instance both to strike back at Greece for its strong support of Makarios and to demonstrate domestically that it is still willing to act militantly on the Cyprus issue.

The UN peace-keeping force is scheduled to become operational on 27 March under the command of Indian General Gyani. Nearly the entire 1,150-man Canadian contingent is on the

SECRET



SECRET

Asia-Africa

island and small advance units from Sweden and Finland arrived on 26 March. Within the next few weeks, Sweden and Finland are expected to send 700 troops each, and a 600-man contingent will arrive from Ireland following anticipated parliamentary approval of the action early in April. These troops, when added to the 3,500 British soldiers slated to remain as part of the force, will give Gyani a total complement of 6,650--only 350 short of the 7,000 men originally planned by Secretary General Thant.

Sakari Tuomioja of Finland, accepted by all parties to the Cyprus dispute as UN mediator to attempt to find a long-term political solution, is expected to arrive in Nicosia by the middle of next week. However, the British have had reservations about Tuomioja's nationality, which could add to the difficulties of this job.

Both Cypriots and UN officials foresee conflicts developing between Cypriot Government leaders and the UN. President Makarios and his associates have made it clear they expect the UN force to be used in conjunction with the loyal security forces--all Greek Cypriots--to restore "law and order." They hold this should include the disarming of irregulars on both sides and the elimination of de facto separation of the communities into Greek and Turkish areas. Thant has indicated that he regards the disarming of irregulars to be an internal matter and not a responsibility of the UN force. Greek Cypriot leaders continue to denounce the three-month British peace-keeping effort--which they allege has illegally treated the Turkish Cypriot community and the lawfully constituted government as equal entities.

25X1

AREA NOTE

Congo: The resources of the Congo Army are becoming increasingly extended. Although there is a lull in the rebellion led by Pierre Mulele in Kwilu, unrest is apparently growing in adjoining Lac Leopold II. Other threats have arisen in the Fizi area of eastern Kivu, where insurgents are reportedly collecting, and near the northeast border, which the Sudanese Army has crossed in pursuit of fleeing Sudanese dissidents.

These disturbances may seriously limit the Leopoldville government's ability to act in Katanga when UN troops depart. They are

scheduled to begin leaving in mid-April, and to be clear of the region by early June, a month earlier than previously planned. Pressure is probably mounting on Moise Tshombe to return to Katanga from his self-imposed exile in Madrid, for a political contest is shaping up between his old Conakat Party and a series of would-be successors. The former Katanga leader has frequently told his followers he is about to return, however, and probably will not do so without guarantees from the central government for his personal safety.

25X1

SECRET

SECRET

Asia-Africa

KING REASSERTS DOMINANT ROLE IN LIBYA

King Idris has for the present successfully reasserted his paramount role in Libyan politics in the face of rising Arab nationalist sentiment.

This sentiment has been mushrooming for several months. It has been concentrated for the past month on the issue of the Western presence--ever since a 22 February speech by Egyptian President Nasir attacking the US and British bases in Libya. In the face of increasing domestic criticism and continued Egyptian propaganda attacks, both the King and Premier Muntassir have felt that popular feeling on the base issue must be placated if the regime is to survive.

The government has sponsored a parliamentary resolution calling for evacuation of the bases, leaving the date of departure the only question open to negotiation, and Muntassir publicly associated the King with the government's hardening position. Muntassir's handling of the issue only further encouraged the nationalists, however.

The King at this point apparently became concerned with the nationalist surge, which is essentially antimonarchical. On 18 March, he informed his ad-

visers and parliamentary officials of his intention to abdicate. This threat was almost certainly designed to impress on both politicians and the public the dangers the country would face if his stabilizing influence and still great prestige were removed. The King apparently hoped to damp down unbridled nationalist sentiment, and to provide an issue about which more conservative elements could rally.

Indeed virtually all Libyan notables hastened to declare loyalty to Idris and to assure him that his position on the throne was essential to Libyan stability, and the King withdrew his threat three days later. However, he has stated that he is not dissatisfied with the actions of those in office and that he considers both the government and parliament loyal. He probably realizes that any abrupt retreat from the government's position on the base issue would again raise nationalist passions to fever pitch.

Muntassir, for his part, wishes negotiations for the removal of the bases to begin within a month. He says that he believes a two- to three-year phase-out reasonable, but the government is likely to take a somewhat harder line in the negotiations.

25X1

SECRET

SECRET

Asia-Africa

COMMUNISTS EXTEND CONTROL IN ZANZIBAR

The Communist takeover in Zanzibar appears to have significantly advanced. In the ten weeks since African nationalists ousted the dominant Arab elite, pro-Communists have moved with great rapidity to neutralize the nationalists, to eliminate all moderate pro-Western influences, and to tie the islands economically and militarily to the Communist bloc.

Foreign Minister Babu has grabbed de facto control by systematically placing pro-Communists in key secondary posts throughout the government. They effectively dominate [redacted] President Karume without overtly challenging his popular leadership. Karume apparently enjoys his new-found prestige and appears indifferent to the pro-Communist maneuvers and decrees which he approves in the name of Black African socialism.

As a result of a cabinet shuffle of 25 March pro-Communists now hold all key ministries. Two Moscow-trained labor leaders moved up to take over the Ministry of Finance and Development and the Ministry of Communications and Works. The former ministers of finance and education--both moderates--have been transferred to Washington and London, with Communists as their deputies. Karume's new executive assistant is a Moscow-trained protégé of Vice President Hanga, a self-styled Marxist with a Russian wife. There is no indication that any showdown between Karume and the pro-Communists is imminent.

Ties with the East are developing rapidly, and it is becoming increasingly clear that the regime

is not really interested in obtaining Western experts or teachers even to maintain a semblance of nonalignment. Expatriate British civil servants and Asian merchants--disheartened and intimidated by recent decrees--are continuing to leave, and the Communists are hastening to fill the vacuum.

An East German, working in the Ministry of Finance, is preparing to take over as permanent secretary in late May when the British incumbent leaves. Similar assignments can be expected in other ministries as part of an effort to make the islands a Communist preserve. All land has been nationalized, and there are indications that banks and import-export firms will be next. The regime has the authority to confiscate property without compensation.

Last week a Soviet ship unloaded trucks, light guns, and small arms for the new "Peoples Liberation Army." [redacted]

The regular police force, which is still in moderate hands, is likely to be the next target of the pro-Communist elements. There are already indications that the regime's policy of favoring native Zanzibaris is causing fear and disaffection among the large percentage of mainland Africans among the police. [redacted]

SECRET

SECRET

Europe

THE EEC AND ITALY'S ECONOMIC PROBLEMS

EEC circles were disturbed last week over Italy's bypassing Common Market machinery to arrange a billion-dollar credit package designed to prop the faltering lira and ward off a balance-of-payments crisis. Some of the criticism has been directed at the US--the major contributor to the deal.

At an EEC Monetary Committee meeting on 12-13 March none of the delegates was told of any specific Italian plans to arrange for US financial assistance. As a consequence, the EEC Commission reportedly intends to remind the Italians of their "moral obligation" under the Common Market treaty to consult the Commission on impending actions regarding payments difficulties. Thus the Italians will probably be subjected to some tough questioning at a 2 April meeting of the Monetary Committee. Their defense will probably be that the sudden increase in speculation against the lira in mid-March required emergency action.

Irritation at the US role is most evident in France.

A number of community and national government officials, some of whom evidently consider Italy's present center-left government too radical, argue that the Italian authorities should take more severe austerity measures than they have so far adopted. The US aid, they think, takes the pressure off the Italians to adopt the measures of financial discipline which ought properly to be part of any foreign assistance package.

Italy's initiative highlights an additional concern of EEC officials. EEC Commission Vice President Marjolin noted in a 20 March speech that as the economies of the Six become ever more closely linked, inflation easily becomes "contagious." He indicated that the community's commitment to economic integration required that no member country should act independently in financial affairs.

The end result of these various developments may thus be to stimulate interest in improving the inadequate community mechanism for monetary consultation. In an unprecedented series of meetings scheduled between now and mid-April, the EEC Commission is likely to find increased support for some of its proposals for coordinating EEC fiscal and monetary policies.

SECRET

SECRET

Europe

INTERNAL DISSENSION CONTINUES TO DELAY MALTA INDEPENDENCE

The British Colonial Office now acknowledges that the 31 May target date for Malta's independence is not likely to be met, and may be put off for at least several months. Talks in London between Maltese party leaders and Colonial Secretary Sandys earlier this month resulted in another deadlock on the question of constitutionally limiting the political influence of the Roman Catholic Church.

Dom Mintoff, leader of the powerful Maltese Labor Party, which lost the 1962 election mainly because of church opposition, is demanding that ecclesiastical influence be limited as it is in Britain. He has threatened to resort to extralegal measures to get his way. The Catholic position as laid out by the archbishop of Malta--who exerts considerable influence over Maltese Prime Minister Borg Olivier--is that the clergy will never accept anti-Catholic clauses in any constitution.

With the London talks stalled, Olivier decided to call a referendum--probably in early May--on a draft constitution of his own. The Colonial Office fears that this document will omit the guarantees of "human rights" demanded by Mintoff as well as any meaning-

ful curbs on church influence. On 17 March Sandys publicly disclaimed any responsibility on the part of the British Government for the Olivier draft, and asserted that the British Parliament retains the last word on Malta's constitution.

Mintoff has also reacted strongly to Olivier's referendum proposal. In a letter to Sandys on 20 March, Mintoff urged the colonial secretary to exercise London's right to decide the questions at issue. As precedent for this, he cited cases in which London has made constitutional decisions for other British territories recently granted independence.

In addition to constitutional difficulties, other factors are working to delay independence. Negotiations on a UK-Maltese defense agreement are not yet concluded, nor has London committed itself to any specific amount of aid to Malta after independence. The questions of Malta's future relationship with NATO and of the continuation there of the NATO Mediterranean headquarters are only in the preliminary stage of study. After progressively downgrading Malta's strategic value, London now seems to feel it may be necessary to reconsider its importance as a base in view of recent events in Cyprus and Libya.

25X1

25X1

SECRET

SECRET

Western Hemisphere

LATIN AMERICAN REACTION TO DE GAULLE'S MEXICAN VISIT

De Gaulle's 16-19 March visit to Mexico was well received by most Latin Americans, many of whom viewed it hopefully as a harbinger of increased French economic assistance. Public opinion, however, did not go along with the Cuban-Communist line that the visit is likely to lead to a significant diminution of US influence in Latin America.

Official reaction in Mexico itself has been sparse, but it is evident that the Mexicans are gratified by the visit, particularly what they see as its economic implications. Especially pleasing was the promise in the final communiqué of France's support at the UN Conference on Trade and Development for formulas favorable to Latin American and other lesser developed countries. Although De Gaulle apparently did not offer Mexico more French trade and aid at this time, most Latin American countries seem to have concluded that this will be forthcoming in due course.

Politically, the cordial tone established by the visit may well point to closer Franco-Mexican ties. Mexicans are proud of the fact that the French leader visited their country separately, well in advance of his scheduled visits to other countries of the hemisphere this fall. They interpret this as tacit recognition of Mexican primacy in Latin America.

Gustavo Diaz Ordaz--who is slated to succeed Adolfo Lopez Mateos as Mexico's president in December--also met with De Gaulle during the visit.

25X1

Several Latin American newspapers have gently chided the US for what they regard as an overly suspicious attitude toward the De Gaulle trip. These publications have emphasized that historic and cultural ties between Latin America and France are strong, but not nearly as important as those with the US. They also imply that US fears that the hemisphere will turn more to France for help and guidance are exaggerated.

Most Latin American countries can be expected to follow closely the French performance at the UN economic conference in Geneva to see how De Gaulle's words will be translated into action. In the meantime, however, De Gaulle has succeeded in solidifying his image in Latin America as an illustrious leader and soldier whose second visit to the hemisphere will be eagerly anticipated.

25X1

SECRET

SECRET

Western Hemisphere

BRAZILIAN PRESIDENT'S BATTLE WITH CONGRESS CONTINUES

The tensions generated in Brazil by President Goulart's latest drive for "basic reforms" have abated somewhat, largely because of Holy Week. However, there is widespread speculation as to Goulart's next move. He is under pressure from his supporters to maintain the momentum of his campaign, and he may therefore bring some "reformists" into the cabinet or push reform by additional executive decrees.

In an 18 March speech Goulart reaffirmed his intention to press for congressional approval of constitutional amendments aimed primarily at promoting agrarian reform and changing Brazil's electoral laws, possibly to permit him to run for the presidency in next year's election.

In any event, Goulart for the first time appears to be openly taking the lead in bringing massive outside pressure on Congress to bend it to his will. In this he has the united backing of all major leftist groups. Both Leonel Brizola, his anti-US brother-in-law, and Communist Party chief Luis Prestes have announced their full support for Goulart's reform program.

The Chamber of Deputies appears to be determined to resist

Goulart, although his opponents remain divided over tactics. A few conservatives are still proposing impeachment and transfer of the legislature from Brasilia to Rio de Janeiro or Sao Paulo. Some moderates, on the other hand, are inclined to make substantial concessions by way of reform legislation to avoid a showdown with Goulart.

On balance, Goulart's chances at the moment of lining up enough congressional votes for his total program are dubious at best, despite the government's paper majority in Congress. His prospects for gaining substantial support from the PTB's coalition partner, the Social Democratic Party (PSD), were further dimmed when the PSD's presidential nominee, Juscelino Kubitschek, spoke out last week against reforms based on "demagoguery."

Outside Congress, opposition to the reforms has mounted steadily. Highlighting this sentiment was an antigovernment rally in Sao Paulo on 19 March attended by some 80,000 demonstrators. Governor Lacerda of Guanabara and other conservative leaders are planning more such demonstrations in "defense of the constitution and Congress," including one in Rio on 2 April. Governors of three other important states have also taken strong stands against Goulart's efforts to browbeat Congress.

SECRET

SECRET

Western Hemisphere

IMPORTANCE OF RADICAL VOTE IN CHILE'S PRESIDENTIAL ELECTION

The collapse of the center-right Democratic Front (FD) following its surprise defeat by the Communist-Socialist coalition (FRAP) in the Curicó by-election last week has created a highly fluid political situation in Chile. The outcome of the September presidential election may hinge on how members of the large Radical Party (PR) vote.

The PR, which represents a fifth of the Chilean electorate, has withdrawn from the FD and has scheduled a national convention for 4 April. The PR majority may now be inclined to support FRAP's presidential candidate, Salvador Allende, and a formal endorsement of his candidacy at the 4 April meeting is a strong possibility.

A proposal by moderate Radicals to run a "favorite son" as a means of holding the party together while denying votes to Allende seems unlikely to get much support. Senator Julio Duran, a PR leader and the FD's presidential candidate until he resigned in the wake of the Curicó debacle, would like to place the PR behind Eduardo Frei, candidate of the Social Democratic Party (PDC) and the only remaining contender with a chance of defeating Allende. The prospects for this are not bright, however. The antipathy of the PR rank and file toward the PDC has reached a new peak, and the PDC has so far failed to make overtures to the Radicals, although Frei authorized a representative to negotiate with them.

Frei himself thinks that over half the PR vote will go to Allende but expects ultimately to obtain most of the votes of the Conservative and Liberal parties--the PR's allies in the defunct FD. He may be unduly optimistic, since independent rightist presidential candidate Jorge Prat may also pick up some votes from this quarter. Frei nevertheless is convinced that Prat will withdraw from the race and throw his support to the PDC.

Frei, meanwhile, has concentrated his attacks on Allende, who gained a tremendous psychological advantage from the Curicó victory. Frei has charged that FRAP has no coherent program of government, and that Allende's planned nationalization of US copper mines would lead to economic strangulation. While Frei opposes nationalization, he believes that fundamental change is inevitable in Chile. In his view, the question is whether it will occur under Christian democracy or Communism, and he has charged that Allende will deliver Chile to the USSR.

Meanwhile, Raul Ampuero, leader of Allende's own Socialist Party (PS),

is said to be concerned that the Communists will completely dominate a FRAP government unless the PS takes steps soon to prevent them from increasing their control of the FRAP organization.

25X1

25X1

SECRET

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Page Denied

Next 1 Page(s) In Document Denied

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

SECRET

Western Hemisphere

AREA NOTES

Panama: President Chiari's cautious 24 March statement on the US-Panamanian dispute bears out information [redacted] that Panama will continue to depend on the OAS to work out an agreement. This position will probably strengthen the presidential campaign of OAS Ambassador Moreno. As it is, speculation is growing that Moreno may yet emerge as a "unity" candidate against Arnulfo Arias in the May elections.

Discontented banana workers in western Panama have once again gone on strike. The strike may spread after the Easter lull and may get support from students and other Commu-

British Guiana's leftist Premier Cheddi Jagan appears to be losing his fight to gain control of sugar workers. The seven-week-old strike staged by the pro-Jagan union (GAWU) continues, but more and more workers are drifting back to work, and violence has abated.

The president of the anti-Jagan union (MPCA), who just completed a tour of sugar plantations, claims worker turnout on five large estates is the best since the strike began. MPCA officials are no longer quite so worried that withdrawals from their union would increase to such a degree that producers would be forced to recognize GAWU as sole bargaining agent for sugar workers. It now appears that those work-

nist-led groups hoping to extend and capitalize on the unrest which now affects the entire fabric of Panamanian life. The banana union's pro-Communist legal adviser may also try to prolong the strike to further his campaign for election to the National Assembly.

The youth congress held last week fell far short of the expectations of its Communist organizers. However, it probably enabled the Communists to extend their contacts and influence among the delegates, who came to Panama City from all over the country. [redacted]

ers who had withdrawn did not automatically join GAWU.

MPCA leaders nevertheless oppose any poll of sugar workers on the question of union membership. They believe that fear of reprisals might induce some workers to opt for GAWU. In the past GAWU extremists have resorted to beatings, death threats, and bombings in their persistent campaign to get control of sugar workers.

Although the MPCA seems to be winning, the British police commissioner believes that the strike could continue indefinitely if GAWU can organize better strike relief benefits--possibly with loans from Cuba. [redacted]

SECRET

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Page Denied

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0

SECRET

Approved For Release 2009/03/13 : CIA-RDP79-00927A004400050001-0